

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Flushing</b>	County <b>Genesee</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/19/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Plante &amp; Moran, PLLC</b>			
Street Address <b>111 E. Court Street, Suite 1A</b>		City <b>Flint</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48502</b>	Date <b>12/6/05</b>

**City of Flushing**  
**Genesee County, Michigan**  
**Comprehensive**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2005**

Prepared by:  
City Clerk/Treasurer's Office

**City of Flushing, Michigan  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2005**

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## **Introduction Section**

# *City of Flushing*

725 E. MAIN STREET  
FLUSHING, MICHIGAN 48433  
PHONE (810) 659-5665 • FAX (810) 659-0569

November 22, 2005

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Flushing:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Plante & Moran, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Flushing's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## ***Profile of the Government***

The City of Flushing, incorporated in 1964, is located in the central part of the state. The City of Flushing currently occupies a land area of 4 square miles and serves a population of 8,348. The City of Flushing is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Flushing has operated under the council-manager form of government since 1964. Policy-making and legislative authority are vested in a government council consisting of the mayor and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing advisory committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out



the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a two-year term. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City of Flushing provides a full range of services, including police and fire protection; construction and maintenance of streets, sanitation, water and sewer utilities, cemetery, assessing, building inspection and code enforcement.

The City also provides fire services to the Charter Township of Flushing through contract and provides joint services such as: Flushing Parks and Recreation Committee, Senior Citizen Activity Center and the Flushing District Library.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Flushing's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council.

### ***Local economy***

Many of Flushing's residents work in Flint or other communities in the Flint metropolitan area. Thus, Flushing is influenced by the future of Genesee County. Genesee County's unemployment rate went up in 2004 to 8.8%. Unemployment rates increased in durable manufacturing and in the wholesale sectors of the economy, while employment rates increased slightly in business and health, construction, government, transportation and non-durable manufacturing.

Automobile and truck related production makes up the largest share of manufacturing employment in Genesee County. Employment at General Motors, SPO, and Delphi facilities decreased significantly in recent years. General Motors and Delphi's plans to downsize will likely have a devastating effect on Genesee County. It will be the job of leaders from the public and private sector to work closely with these employers to explore new product lines and new opportunities.

### ***Long-term financial planning***

Historically, the city has used a Capital Improvements program to identify short and long range capital purchases required to maintain all of the basic, as well as complex, services that are available to the public through traditional financing mechanisms. That program originates with the Flushing Planning Commission in the fall and concludes with a public hearing and joint meeting with the City Council the following spring. Capital purchases as well as community

programs are identified based upon a perceived need. These items are then placed onto a time table that identifies when the item is to be completed, the estimated cost of the item, and potential financing sources.

This model will need to be modified, as State Shared Revenues are diminishing and the cost of certain employee benefits are rising much faster than the rate of inflation. The time table for new purchases and programs that are included in the financial model will need to be coordinated with pressures of lost revenues. A closer examination of existing and future required programs will need to be reviewed for relevancy.

### **Relevant financial policies**

The City of Flushing's financial policies are largely dictated through provisions in the City Charter that dictate procedure of budget adoption, as well as ordinances that define purchasing procedures. Many of the city's financial policies are dictated through state law, which defines the amount and manner of revenue collection that the city receives by fund. Examples are the return of state sales tax, gas taxes, and fees that can be charged for services as a direct result of the proportional costs.

Although a significant portion of budget expenditures are the result of payroll and related employee benefits, the long term cost of these items will need to be identified within the next few years as the result of mandated accounting changes. These changes will require all units of government to account for post employment benefits that are currently being accrued, but are not identified as liabilities. The ability of governmental units to measure and meet the cost of long term financial commitments to their employees will likely influence future labor contracts as well as help to establish meaningful administrative benefit guidelines.

### **Major initiatives**

During 2005, the City of Flushing completed three major initiatives that have roots dating back to 1997. The first was the completion of a non-motorized trail, which extends from the Main Street Bridge, proceeds northwesterly along the Flint River approximately one and one-half miles, and terminates in Genesee County's Flushing Park. This trail includes two bridges, one over the Cole Creek, and one crossing the Flint River, while meandering through several wooded areas and alongside wooded wetlands.

The second was the completion of a new City Hall and Police Station in October. The City Hall replaces a building that was first used as a church in 1864 and was later converted to a Flushing City Hall around 1945. The Police Station replaces a former residence, used as a police station that the city acquired in 1985. The new facility includes over ten thousand square feet of office area, including police locker rooms, in addition to a future community room that is currently vacant in the lower level.

The third major initiative that is nearly complete is a major rezoning change for the Central Business District, west of the Main Street Bridge, as well as modifications to zoning uses along Lynn Street and Seymour Road. These changes, when concluded, will allow residential structures to remain in the business district as permitted uses and also allow for a mix of businesses to be located in the area that are compatible with the results of a Downtown Development Study that was completed in 2003.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Flushing for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the twelfth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

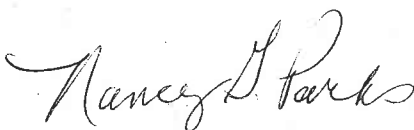
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Flushing's finances.

Respectfully submitted,



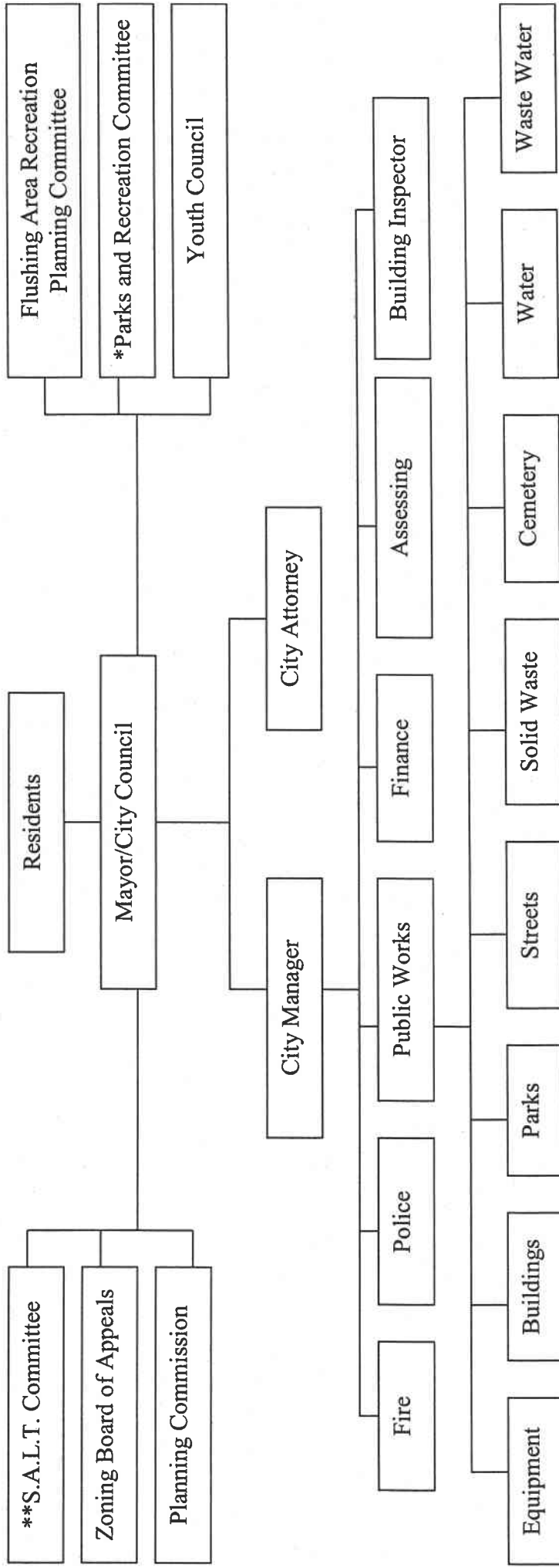
Dennis J. Bow  
City Manager



Nancy G. Parks  
City Clerk/Treasurer

# ORGANIZATIONAL CHART

## City of Flushing, Michigan



### FLUSHING'S CITY GOVERNMENT

Under its City Charter, Flushing operates under a Council-Manager plan of government. In this system, the Mayor and City Council is composed of seven members elected at large in non-partisan elections. From amongst its membership, the Council chooses a Mayor Pro-Tem serving a two-year term.

The City Manager is appointed by and is directly responsible to the City Council. He/she serves at the pleasure of the Council and is chosen solely on the basis of his/her executive ability and experience in municipal affairs. As the administrative head of the City, the Manager carries out the policies that are made by the City Council, and directs and coordinates the work of the City departments.

The organization chart on this page indicates how the City government is organized to meet the many requirements of its citizens.

\* This committee works in conjunction with and at the direction of the Director of Public Works.

\*\* This committee works in conjunction with and at the direction of the Chief of Police.

**City of Flushing, Michigan**  
**List of Elected and Appointed Officials**

City Council

Janice L. Gensel  
Michael T. Szukhent  
Richard L. Bade  
John C. Gault  
George G. Kozan  
Richard Mark  
Teresa K. Salem

Mayor  
Mayor Pro-Tem  
Councilperson  
Councilperson  
Councilperson  
Councilperson  
Councilperson

Other City Officers and Officials

Dennis Bow  
Nancy Parks  
Bryan Sutton  
Janet Walling  
Fay Peek, III  
Ronald Downing

City Manager  
City Clerk/Treasurer  
DPW Director  
City Assessor  
Police Chief  
Fire Chief

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Flushing,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

## **Financial Section**

*Independent Auditors' Report*

Honorable Mayor and Members  
of the City Council  
City of Flushing  
Flushing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, Michigan (City) as of June 30, 2005, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flushing, Michigan at June 30, 2005 and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flushing's basic financial statements. The accompanying introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining balance sheets and combining statements of revenues, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and accordingly, we express no opinion on them.

*PLANTE & MORAN, PLLC*

August 19, 2005

## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

As management of the City of Flushing, Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$25,492,466 (net assets). Of this amount, \$937,558 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,336,144 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,261,204, a decrease of \$654,413 in comparison with the prior year. Approximately 70% of this total amount, or \$1,592,674, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$650,121, or 16 percent of total general fund expenditures.
- The City had no new issuances of debt during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and highways and streets. The business-type activities of the City include water and sewer operations as well as the building department.

The government-wide financial statements can be found on pages 19 through 22 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, local street, and capital improvement fund, each of which are considered to be major funds. The City's nonmajor governmental funds are: COPS Grant, Cemetery Fund, Debt Service Fund, Fire Department Reserve Fund, and the Community Development Fund.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 23 through 30 of this report.

**Proprietary funds.** The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution operations, as well as the building department. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its vehicle and equipment maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, the assets and liabilities of the internal service fund have been included within governmental activities in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, as well as the building department. The sewer and water funds are considered to be major funds of the City, whereas the building department is a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 31 through 36 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The two City agency funds are classified as fiduciary funds. The Tax Collection fund is used to account for tax collections by the City of Flushing on behalf of other governments. The General Trust fund is used to account for monies received from contractors doing work with the City to ensure the work is completed. Agency funds are unlike other types of funds and report only assets and liabilities. Therefore, they do not have a measurement focus, but do, however, use the accrual basis of accounting to recognize receivables and payables.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-56 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Flushing, assets exceeded liabilities by \$19,239,598 at the close of the most recent fiscal year. The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

#### City of Flushing's Net Assets June 30, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 2,511	\$ 3,271	\$ 462	\$ 336	\$ 2,973	\$ 3,607
Capital assets	18,216	5,720	7,938	7,982	26,154	23,702
Total assets	20,727	18,991	8,400	8,318	29,127	27,309
Long-term liabilities						
outstanding	1,382	1,447	1,995	2,220	3,377	3,667
Other liabilities	106	353	152	132	258	485
Total liabilities	1,488	1,800	2,147	2,352	3,635	4,152
Net assets:						
Invested in capital assets, net of related debt	17,102	14,512	5,943	5,762	23,045	20,274
Restricted	1,430	1,362	79	79	1,509	1,441
Unrestricted	707	1,317	231	125	938	1,442
Total net assets	\$ 19,239	\$ 17,191	\$ 6,253	\$ 5,966	\$ 25,492	\$ 23,157

By far the largest portion of the City's net assets (89 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (4 percent or \$706,787) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$2,336,144 during the current fiscal year; a large percent of this increase is attributed to state funding for the railway and capital contributions for streets dedicated to the City. The following table shows the changes of the net assets during the current year and as compared to the prior year (in thousands of dollars):

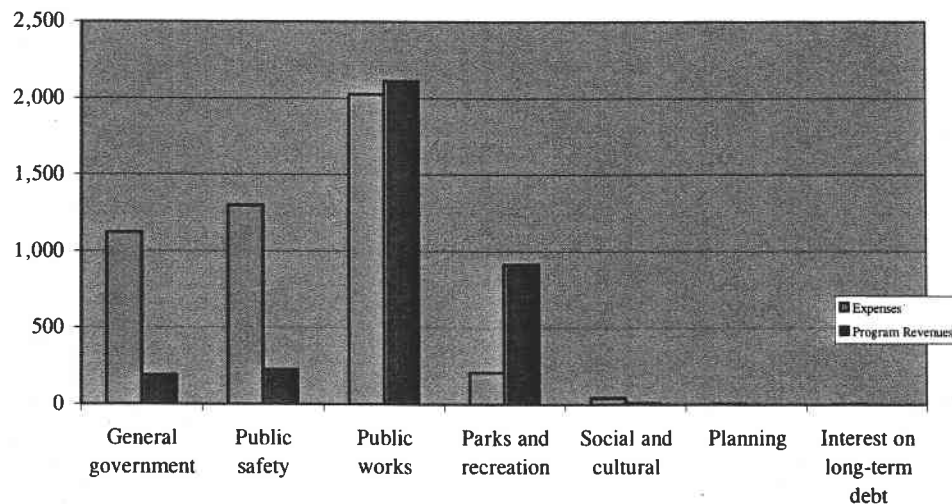
**City of Flushing's Changes in Net Assets  
For the Year Ended June 30, 2005**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 890	\$ 852	\$ 2,042	\$ 1,960	\$ 2,932	\$ 2,812
Operating grants and contributions	535	44	-	-	535	44
Capital grants and contributions	2,021	376	353	42	2,374	418
General revenues:						
Property taxes	2,253	2,060	-	-	2,253	2,060
Grants and contributions not restricted to specific programs	1,065	1,380	-	-	1,065	1,380
Other	-	251	2	1	2	252
Total revenues	6,764	4,963	2,397	2,003	9,161	6,966
Expenses:						
General government	1,121	1,067	-	-	1,121	1,067
Public safety	1,298	1,646	-	-	1,298	1,646
Public Works	2,025	1,831	-	-	2,025	1,831
Parks and Recreation	207	234	-	-	207	234
Social and Cultural	41	43	-	-	41	43
Planning	3	4	-	-	3	4
Interest on long-term debt	2	26	-	-	2	26
Water	-	-	1,109	1,136	1,109	1,136
Sewer	-	-	969	1,028	969	1,028
Building Department	-	-	49	57	49	57
Total expenses	4,697	4,851	2,127	2,221	6,824	7,072
Increase in net assets before transfers	2,067	112	270	(218)	2,337	(106)
Transfers	(17)	-	17	-	-	-
Increase in net assets	2,050	112	287	(218)	2,337	(106)
Net assets – 7/1/04	17,190	17,078	5,966	6,184	23,156	23,262
Net assets – 6/30/05	\$ 19,240	\$ 17,190	\$ 6,253	\$ 5,966	\$ 25,493	\$ 23,156

**Revenues by Source - Governmental activities.** Governmental activities increased the City's net assets by \$2,048,967. Key elements of this increase are as follows:

- Property taxes for operations increased by approximately \$192,000 (9 percent) during the year. A millage was approved by voters to fund a police liaison officer for the schools, which generated approximately \$100,000. An increase in commercial development also increased tax revenues.
- Intergovernmental revenues increased by approximately \$134,000 (17 percent) during the year. The increase can be attributed to the following:
  - 1) A Homeland Security grant (\$93,855) was awarded the Fire Department to purchase equipment for firefighters.
  - 2) Funds were received from Genesee County Parks and Recreation (\$36,500) and Flushing Township (\$10,000), as local match for the Riverview Trail.

#### **Expenses and Program Revenues - Governmental Activities**

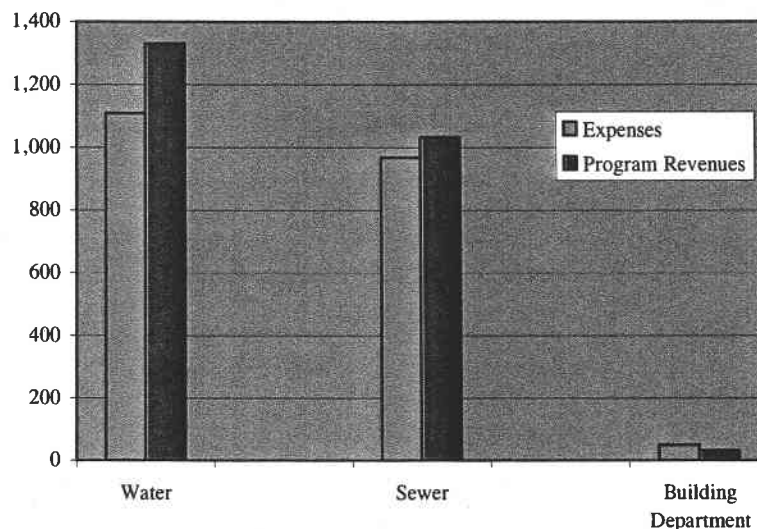


#### **Revenues by Source – Business-type Activities**

**Business-type activities.** Business-type activities increased the City's net assets by \$287,177. Key elements of this increase are as follows:

- The Sewer fund rates were increased by City Council effective August 1, 2004.
- Revenues from Capital Grants and Contributions were increased due to developers' contributions of sewer and water lines in newly constructed subdivisions.
- Water rates have also been increased in accordance with rate increases passed on by Genesee County Water and Waste Services.

## Expenses and Program Revenues - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,261,204, a decrease of \$(654,413) in comparison with the prior year. Approximately 70 percent of this total amount \$(1,592,674) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for other restricted purposes \$(668,530).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$650,121, while total fund balance was \$1,122,766. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 16 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$(807,721) during the current fiscal year. General Fund monies were used to contribute to the construction of the new City Hall/Police Station (\$500,000) and as a local match for the Riverview Trailway (\$400,000).

The major street fund has a total fund balance of \$262,767, an increase of \$114,263 during the year. The City is accumulating funds in the major street fund to undertake the repaving of Pierson Road in the 2006 fiscal year and Coutant Street in the 2007 fiscal year.

The local street fund had a decrease in fund balance for the current year of \$(120) for an ending total of \$88,052. Substantially all of the remaining fund balance is planned for use in maintaining local streets.



The capital improvements fund has a total fund balance of \$516,217, which will be used to complete the new City Hall/Police Station and continue the street paving project.

The nonmajor funds have a total fund balance of \$271,402, of which \$75,517 is unreserved.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets (deficit) of the building department, sewer and water enterprise funds at the end of the year amounted to \$1,122, \$289,470 and \$(59,821), respectively. The building department fund had an increase of \$94, the sewer fund had an increase of \$64,822 in net assets for the year, whereas the water fund had an increase of \$222,261. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The difference between the original and final amended budgets for expenditures was an increase of \$216,150. Increases were mainly in general government departments as follows: \$117,000 in the fire protection budget for the purchase of breathing apparatus for firefighters; a \$122,050 increase in the public works administration budget for engineering fees for the Trail and architect fees for the new City Hall/Police Station; and a \$94,000 reduction in the public works sanitation budget, which resulted when the refuse contract was renegotiated. The most significant increase in revenues related to the addition of the millage for a police liaison officer.

Budget to actual comparisons for the City's special revenue funds were generally favorable as well.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$26,154,466 (net of accumulated depreciation). This investment in capital assets includes land, rights-of-ways, construction in progress, buildings and systems, improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$2,453,441, a \$2,496,786 increase for governmental activities and a decrease of \$43,345 for business-type activities.

Major capital asset events during the current fiscal year included the following:

- A street construction project at a cost of approximately \$460,000.
- Continuation of construction on a new City Hall/Police Station at an additional cost of \$450,000
- Construction of a trailway valued at approximately \$1,250,000.

The following table shows the categories of capital assets for the current date and compared to the prior year (in thousands of dollars):

**City of Flushing's Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Capital assets, not being depreciated:						
Land	\$ 960	\$ 960	\$ 19	\$ 19	\$ 979	\$ 979
Right-of-Ways	5,334	4,946			5,334	4,946
Construction in progress	1,262	811			1,262	811
Capital assets, being depreciated:						
Buildings and improvements	606	730	4,599	7,952	5,205	5,935
Machinery and equipment	416	446	3,300	10	3,716	4,162
Infrastructure	9,638	7,827	20	-	9,658	17,485
Total	<u>\$ 18,216</u>	<u>\$ 15,720</u>	<u>\$ 7,938</u>	<u>\$ 7,981</u>	<u>\$ 26,154</u>	<u>\$ 23,701</u>

Additional information on the City's capital assets can be found in note IV.C. on pages 47 and 48 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total installment debt outstanding of \$3,109,000. The City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and installment purchase contracts.

The following table shows the categories of debt for the current date and compared to the prior year (in thousands of dollars):

**City of Flushing's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ -	\$ -	\$ 610	\$ 745	\$ 610	\$ 745
Special assessment debt with governmental commitment	20	30	-	-	20	30
Installment purchase obligation	989	1,063	-	-	989	1,063
Land contract	105	115	-	-	105	115
Revenue bonds	-	-	1,385	1,475	1,385	1,475
Total	<u>\$ 1,114</u>	<u>\$ 1,208</u>	<u>\$ 1,995</u>	<u>\$ 2,220</u>	<u>\$ 3,109</u>	<u>\$ 3,428</u>

There were no issuances of debt during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$24,502,556, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note IV.E on pages 50 through 52 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- Projections of commercial, industrial, tourism and residential growth potential;
- Economic indicators for the region and local development projects currently proposed and or underway;
- Growth and development trends as a result of the 2000 Census;
- Projected staff and capital improvements projects by the City;
- Available taxing, bonding and grant resources.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager or City Clerk/Treasurer.

## **Basic Financial Statements**

# **Government-wide Financial Statements**

**City of Flushing**  
**Statement of Net Assets**  
**June 30, 2005**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	1,820,137	\$ 62,932	\$ 1,883,069
Investments	172,296	-	172,296
Receivables	378,609	448,889	827,498
Internal balances	140,000	(140,000)	-
Inventories	-	11,345	11,345
Restricted investments	-	79,000	79,000
Capital assets nondepreciable	7,555,300	18,790	7,574,090
Capital assets (net of accumulated depreciation)	10,661,069	7,919,307	18,580,376
 Total assets	 20,727,411	 8,400,263	 29,127,674
<b>Liabilities</b>			
Accounts payable	49,980	138,066	188,046
Accrued liabilities	53,734	14,329	68,063
Due to other governments	370	-	370
Deposits	2,000	-	2,000
Noncurrent liabilities:			
Due within one year	214,000	220,000	434,000
Due in more than one year	1,167,729	1,775,000	2,942,729
 Total liabilities	 1,487,813	 2,147,395	 3,635,208
<b>Net assets</b>			
Invested in capital assets, net of related debt	17,102,369	5,943,097	23,045,466
Restricted for:			
Debt service	8	44,000	44,008
Capital asset replacement	-	35,000	35,000
Streets	350,819	-	350,819
Community Development	367,513	-	367,513
Capital projects	516,217	-	516,217
Cemetery	195,885	-	195,885
Somerset park	4,701	-	4,701
Presbyterian	431	-	431
Unrestricted	701,655	230,771	932,426
 Total net assets	 \$ 19,239,598	 \$ 6,252,868	 \$ 25,492,466

*See notes to financial statements.*

**City of Flushing**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Functions\Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,121,427	\$ 187,876	\$ -	\$ -
Public safety	1,297,998	126,475	5,965	93,855
Public works	2,025,169	540,798	529,323	1,041,258
Parks and recreation	206,504	27,909	-	885,394
Social and cultural	40,442	6,474	-	-
Planning	3,454	-	-	-
Interest on long-term debt	2,104	-	-	-
Total governmental activities	4,697,098	889,532	535,288	2,020,507
Business-type activities				
Water	1,108,565	1,094,219	-	235,800
Sewer	968,929	915,851	-	117,165
Building department	49,188	31,882	-	-
Total business-type activities	2,126,682	2,041,952	-	352,965
Total primary government	\$ 6,823,780	\$ 2,931,484	\$ 535,288	\$ 2,373,472
<b>General revenues:</b>				
Property taxes				
State share revenue				
Unrestricted grants and contributions				
Unrestricted earnings				
<b>Transfers</b>				
Total general revenues				
<b>Change in net assets</b>				
<b>Net assets - beginning of year</b>				
<b>Net assets - end of year</b>				

*See notes to financial statements.*

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (933,551)	\$ -	\$ (933,551)
(1,071,703)	-	(1,071,703)
86,210	-	86,210
706,799	-	706,799
(33,968)	-	(33,968)
(3,454)	-	(3,454)
(2,104)	-	(2,104)
(1,251,771)	-	(1,251,771)
-	221,454	221,454
-	64,087	64,087
-	(17,306)	(17,306)
-	268,235	268,235
(1,251,771)	268,235	(983,536)
2,252,798	-	2,252,798
744,018	-	744,018
159,145	-	159,145
162,177	1,542	163,719
(17,400)	17,400	-
3,300,738	18,942	3,319,680
2,048,967	287,177	2,336,144
17,190,631	5,965,691	23,156,322
\$ 19,239,598	\$ 6,252,868	\$ 25,492,466



## **Fund Financial Statements**

**City of Flushing  
Balance Sheet  
Governmental Funds  
June 30, 2005  
With Comparative Totals for June 30, 2004**

	<b>General</b>	<b>Major Street</b>	<b>Local Street</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 781,977	\$ 206,677	\$ 65,650
Investments	-	-	-
Accounts receivable	46,059	-	-
Due from other governmental units	239,725	62,001	23,971
Due from other funds	40,000	-	-
Prepaid items	-	-	-
Advance to other funds	100,000	-	-
Total assets	<u>\$ 1,207,761</u>	<u>\$ 268,678</u>	<u>\$ 89,621</u>

*See notes to financial statements.*

Capital Improvement	Other Governmental Funds	Totals	
		2005	2004
\$ 514,542	\$ 101,106	\$ 1,669,952	\$ 2,272,465
-	172,296	172,296	163,560
-	-	46,059	41,643
6,853	-	332,550	332,108
-	-	40,000	221,785
-	-	-	4,595
-	-	100,000	100,000
\$ 521,395	\$ 273,402	\$ 2,360,857	\$ 3,136,156

(continued)

**City of Flushing**  
**Balance Sheet**  
**Governmental Funds - (Continued)**  
**June 30, 2005**  
**With Comparative Totals for June 30, 2004**

	<b>General</b>	<b>Major Street</b>	<b>Local Street</b>
<b>Liabilities</b>			
Accounts payable	\$ 35,787	\$ 2,752	\$ -
Accrued and other liabilities	47,524	3,159	1,569
Deposits	-	-	-
Due to other governmental units	370	-	-
Due to other funds	1,314	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	84,995	5,911	1,569
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Fund balances:			
Reserved for advance to other funds	100,000	-	-
Reserved for prepaid items	-	-	-
Reserved for community development	367,513	-	-
Reserved for Somerset park	4,701	-	-
Reserved for Presbyterian	431	-	-
Reserved for cemetery	-	-	-
Unreserved:			
Designated	-	-	-
Unreserved, reported in:			
General fund	650,121	-	-
Special revenue funds	-	262,767	88,052
Debt service fund	-	-	-
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	1,122,766	262,767	88,052
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 1,207,761	\$ 268,678	\$ 89,621
	<hr/>	<hr/>	<hr/>

*See notes to financial statements.*

Capital Improvements	Other Governmental Funds	Totals	
		2005	2004
\$ 5,178	\$ -	\$ 43,717	\$ 144,605
-	-	52,252	46,660
-	2,000	2,000	2,000
-	-	370	368
-	-	1,314	26,906
5,178	2,000	99,653	220,539
-	-	100,000	100,000
-	-	-	4,595
-	-	367,513	376,351
-	-	4,701	-
-	-	431	-
-	195,885	195,885	174,283
-	-	-	900,000
-	-	650,121	549,541
-	-	350,819	236,676
-	8	8	1,007
516,217	75,509	591,726	573,164
516,217	271,402	2,261,204	2,915,617
\$ 521,395	\$ 273,402	\$ 2,360,857	\$ 3,136,156

**City of Flushing**  
**Reconciliation of Fund Balances as Reported in the Governmental**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2005**

Fund balances of governmental funds	\$ 2,261,204
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (exclusive of internal service funds) are not financial resources and, therefore, are not reported in the funds.	17,983,359
Internal service funds are used by management to charge the costs of fleet management to individual funds. These assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	376,764
Long-term liabilities, including bond and contract payables, are not due and payable in the current period and therefore are not reported in the funds.	(1,381,729)
Net assets of governmental activities	<u><u>\$ 19,239,598</u></u>

*See notes to financial statements.*

**City of Flushing**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**Year Ended June 30, 2005**  
**With Comparative Totals for June 30, 2004**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<b>Revenues:</b>			
Taxes	\$ 1,594,963	\$ -	\$ -
Licenses and permits	1,272	-	-
Intergovernmental:			
Federal	93,855	20,400	-
State	751,226	394,631	160,406
Local	62,974	-	-
Charges for services	803,942	-	-
Fines and fees	18,475	-	-
Administrative services	110,000	-	-
Interest and other	160,296	4,077	688
Total revenues	<u>3,597,003</u>	<u>419,108</u>	<u>161,094</u>
<b>Expenditures:</b>			
Current:			
General government	1,209,109	-	-
Public safety	1,493,712	-	-
Public works and streets	1,074,616	303,845	160,214
Recreation	181,344	-	-
Social and cultural	26,450	-	-
Planning	3,454	-	-
Other	-	1,000	1,000
Capital outlay	-	-	-
Debt service:			
Principal payments	-	-	-
Interest and paying agent fees	-	-	-
Total expenditures	<u>3,988,685</u>	<u>304,845</u>	<u>161,214</u>
Excess (deficiency) of revenues over expenditures	<u>(391,682)</u>	<u>114,263</u>	<u>(120)</u>
<b>Other financing sources (uses):</b>			
Issuance of debt	-	-	-
Transfers in	119,227	-	-
Transfers out	(535,266)	-	-
Total other financing sources (uses)	<u>(416,039)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(807,721)	114,263	(120)
Fund balance - beginning of year	<u>1,930,487</u>	<u>148,504</u>	<u>88,172</u>
<b>Fund balance - end of year</b>	<u><u>\$ 1,122,766</u></u>	<u><u>\$ 262,767</u></u>	<u><u>\$ 88,052</u></u>

*See notes to financial statements.*

Capital Improvements	Other Governmental Funds	Totals	
		2005	2004
\$ 654,609	\$ -	\$ 2,249,572	\$ 2,057,024
-	-	1,272	2,261
-	5,965	120,220	43,928
3,226	-	1,309,489	1,339,070
-	-	62,974	-
-	-	803,942	874,908
-	-	18,475	18,499
-	-	110,000	110,000
7,065	8,736	180,862	518,051
664,900	14,701	4,856,806	4,963,741
-	-	1,209,109	968,804
-	5,965	1,499,677	1,357,308
-	-	1,538,675	1,167,088
-	-	181,344	298,842
-	-	26,450	28,823
-	-	3,454	4,406
2,000	-	4,000	3,300
1,019,006	-	1,019,006	1,262,837
-	10,000	10,000	42,000
-	2,104	2,104	26,383
1,021,006	18,069	5,493,819	5,159,791
(356,106)	(3,368)	(637,013)	(196,050)
-	-	-	1,215,000
500,000	28,971	648,198	70,146
(130,332)	-	(665,598)	(70,146)
369,668	28,971	(17,400)	1,215,000
13,562	25,603	(654,413)	1,018,950
502,655	245,799	2,915,617	1,896,667
\$ 516,217	\$ 271,402	\$ 2,261,204	\$ 2,915,617



**City of Flushing**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in fund balances - total governmental funds	\$ (654,413)
--	--------------

Governmental funds report capital outlay as expenditures. However in the statement of activities the cost of these assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	2,552,602
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include compensated absences and changes to accrued claims liabilities.	(3,366)
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The payment of principal on long term debt consumes the current financial resources of the governmental funds. However, on the statement of net assets, repayments of principal are recorded as a reduction to long term debt payable and do not affect net assets.	223,106
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The activities of the internal service funds are considered part of governmental activities on the statement of changes in net assets but are not reported in the funds. The internal service funds had a net loss of \$68,962 for the year ended June 30, 2005 and that net loss is included in the statement of changes in net assets of governmental activities.	<u>(68,962)</u>
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Changes in net assets of governmental activities	<u><u>\$ 2,048,967</u></u>
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**City of Flushing**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Building Department</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1	\$ 55,133	\$ 7,798
Receivables:			
Customers	91,500	104,502	-
Unbilled usage	138,777	114,110	-
Due from other funds	-	32,658	-
Inventories	11,345	-	-
Total current assets	241,623	306,403	7,798
Noncurrent assets:			
Restricted investments	49,000	30,000	-
Capital assets - net of accumulated depreciation	3,470,882	4,467,215	-
Total noncurrent assets	3,519,882	4,497,215	-
Total assets	3,761,505	4,803,618	7,798
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	124,045	7,345	6,676
Accrued and other liabilities	4,741	9,588	-
Due to other funds	72,658	-	-
Current portion of long-term debt	90,000	130,000	-
Total current liabilities	291,444	146,933	6,676
Noncurrent liabilities:			
Advance from other funds	100,000	-	-
Long-term debt - net of current portion	1,295,000	480,000	-
Total noncurrent liabilities	1,395,000	480,000	-
Total liabilities	1,686,444	626,933	6,676
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,085,882	3,857,215	-
Restricted for debt service	29,000	15,000	-
Restricted for replacement of capital assets	20,000	15,000	-
Unrestricted (deficit)	(59,821)	289,470	1,122
Total net assets	\$ 2,075,061	\$ 4,176,685	\$ 1,122

*See notes to financial statements.*

<b>Business-type Activities Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Total Enterprise Funds</b>		<b>Motor Pool Internal Service Fund</b>	
\$	62,932	\$	150,185
	196,002		-
	252,887		-
	32,658		1,314
	11,345		-
	555,824		151,499
	79,000		-
	7,938,097		233,010
	8,017,097		233,010
	8,572,921		384,509
	138,066		6,263
	14,329		1,482
	72,658		-
	220,000		-
	445,053		7,745
	100,000		-
	1,775,000		-
	1,875,000		-
	2,320,053		7,745
	5,943,097		233,010
	44,000		-
	35,000		-
	230,771		143,754
\$	6,252,868	\$	376,764

**City of Flushing**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Building Department</b>
<b>Operating revenues:</b>			
Charges for services	\$ 1,094,219	\$ 915,851	\$ 31,882
<b>Operating expenses:</b>			
Water purchases	620,713	-	-
Contractual services	-	-	49,188
Salaries, wages and fringe benefits	212,016	430,958	-
Supplies and other operating expenses	63,794	207,285	-
Administrative charges	40,000	40,000	-
Depreciation	135,167	253,521	-
Total operating expenses	1,071,690	931,764	49,188
Net operating income (loss)	22,529	(15,913)	(17,306)
<b>Nonoperating revenues (expenses):</b>			
Interest income	807	735	-
Interest expense and paying agent fees	(36,875)	(37,165)	-
Loss on disposal of capital assets	-	-	-
Total nonoperating expenses	(36,068)	(36,430)	-
Net loss before contributions and transfers	(13,539)	(52,343)	(17,306)
Capital contributions	235,800	117,165	-
Transfers	-	-	17,400
Change in net assets	222,261	64,822	94
Net assets - beginning of year, as restated	1,852,800	4,111,863	1,028
<b>Net assets - end of year</b>	<b>\$ 2,075,061</b>	<b>\$ 4,176,685</b>	<b>\$ 1,122</b>

*See notes to financial statements.*

<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities</b>
<b>Total Enterprise Funds</b>	<b>Motor Pool Internal Service Fund</b>
<u>\$ 2,041,952</u>	<u>\$ 270,335</u>
620,713	-
49,188	-
642,974	74,720
271,079	161,975
80,000	30,000
388,688	66,787
<u>2,052,642</u>	<u>333,482</u>
<u>(10,690)</u>	<u>(63,147)</u>
1,542	1,863
(74,040)	-
-	(7,678)
<u>(72,498)</u>	<u>(5,815)</u>
(83,188)	(68,962)
352,965	-
17,400	-
<u>287,177</u>	<u>(68,962)</u>
<u>5,965,691</u>	<u>445,726</u>
<u><u>\$ 6,252,868</u></u>	<u><u>\$ 376,764</u></u>

**City of Flushing**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<b>Business Type Activities</b>			<b>Governmental Activities</b>	
	<b>Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Building Department</b>	<b>Total Enterprise Funds</b>	<b>Motor Pool Internal Service Fund</b>
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 1,097,720	\$ 893,691	\$ 31,882	\$ 2,023,293	\$ 288,821
Payments to vendors	(760,097)	(382,268)	(45,249)	(1,187,614)	(189,646)
Payments to employees	(211,554)	(428,161)	-	(639,715)	(74,520)
Net cash provided by (used in) operating activities	126,069	83,262	(13,367)	195,964	24,655
<b>Cash flows from noncapital financing activities:</b>					
Operating transfers in	-	-	17,400	17,400	-
Net cash provided by (used in) noncapital financing activities	-	-	17,400	17,400	-
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	-	(14,902)	-	(14,902)	(24,567)
Proceeds from sales of capital assets	-	-	-	-	5,917
Capital contributions	-	22,525	-	22,525	-
Principal payments on long-term debt	(90,000)	(135,000)	-	(225,000)	-
Interest expense and paying agent fees	(36,875)	(37,165)	-	(74,040)	-
Net cash used in capital and related financing activities	(126,875)	(164,542)	-	(291,417)	(18,650)
<b>Cash flows from investing activities:</b>					
Interest on investments	806	735	-	1,541	1,863
Net increase (decrease) in cash	-	(80,545)	4,033	(76,512)	7,868
Cash and cash equivalents - beginning of year	1	135,678	3,765	139,444	142,317
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1</b>	<b>\$ 55,133</b>	<b>\$ 7,798</b>	<b>\$ 62,932</b>	<b>\$ 150,185</b>

See notes to financial statements.

(continued)

**City of Flushing**  
**Statement of Cash Flows**  
**Proprietary Funds (continued)**  
**For the Year Ended June 30, 2005**

	Business Type Activities Enterprise Funds			Governmental Activities	
	Water	Sewer	Building Department	Total Enterprise Funds	Motor Pool Internal Service Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:</b>					
Operating income (loss)	\$ 22,529	\$ (15,913)	\$ (17,306)	\$ (10,690)	\$ (63,147)
<b>Adjustments to reconcile operating income (loss ) to net cash provided by (used in) operations:</b>					
Depreciation and amortization	135,167	253,521	-	388,688	66,787
<b>Changes in operating assets and liabilities:</b>					
Accounts receivable	3,502	(32,327)	-	(28,825)	-
Inventories	1,210	-	-	1,210	-
Due from other funds	-	10,167	-	10,167	18,486
Accounts payable	15,008	(1,946)	3,939	17,001	2,329
Accrued liabilities	462	2,797	-	3,259	200
Due to other funds	(51,809)	(133,037)	-	(184,846)	-
Net adjustments	103,540	99,175	3,939	206,654	87,802
Net cash provided by (used in) operating activities	\$ 126,069	\$ 83,262	\$ (13,367)	\$ 195,964	\$ 24,655

**Noncash investing, Capital and Financing Activities** - During the year ended June 30, 2005, the Water and Sewer Funds received \$235,800 and \$94,640, respectively, of lines donated by developers.

*See notes to financial statements.*

**City of Flushing**  
**Statement of Assets and Liabilities**  
**Fiduciary Funds - Agency Funds**  
**June 30, 2005**

**Assets**

Cash and cash equivalents	<u>\$ 168,235</u>
Total assets	<u><u>\$ 168,235</u></u>

**Liabilities**

Due to other governmental units	\$ 79,021
Deposits payable	<u>89,214</u>
Total liabilities	<u><u>\$ 168,235</u></u>

*See notes to financial statements.*



## **Notes to Basic Financial Statements**

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies**

The accounting policies of the City of Flushing (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Flushing.

**A. Reporting entity**

The City of Flushing was incorporated in 1964, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City did not have any component units at June 30, 2005.

Jointly governed organization:

The City has entered into a joint agreement with the Charter Township of Flushing, to share in the acquisition costs and operating costs of a senior citizens center for township and city residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality, and are selected by the city and township members. The joint building committee prepares an annual operating budget, which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the city and township. Operating expenses will be divided between the city and township based on resident usage records. The City of Flushing acts as the fiduciary agent for the Senior Center, and records its share of the expenditures in the General fund. During the current year, the City's share of the operating costs of the Center was \$9,711. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the Senior Citizens Center are not available at June 30, 2005.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies – (continued)**

**B. Government-wide and fund financial statements – (continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criteria: State-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

The Capital Improvement Fund is used to account for construction projects undertaken by the City. Funding for these projects consist of a tax levy reserved for capital improvement and other revenue sources.

The City reports the following major proprietary funds:

The Water Supply and Sewer Disposal System is a division of the City's Department of Public Works. Separate funds are maintained for the operations of the water distribution system and sewage pumping and collection systems and the sewer treatment plant.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies – (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Additionally, the City reports the following fund types:

The Motor Pool Internal Service Fund accounts for fleet services provided to other departments or agencies of the City on a cost reimbursement basis.

Agency Funds account for assets held by the City as an agent for individuals, private organizations and other governments. Agency funds are reported as fiduciary funds and are not included in the government wide Statement of Net Assets and Statement of Activities.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenue* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds relates to charges to customers for sales and services. The portion of tap fees intended to recover the cost of the infrastructure is recognized as capital contributions. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**2. Receivables and payables**

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**2. Receivables and payables – (continued)**

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

**3. Inventories and prepaid items**

Inventories are valued at the lower of cost or market using the first-in/first-out basis. Inventory consists of expendable supplies for consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted assets**

Certain resources of the Water and Sewer Funds are classified as restricted assets on the balance sheet because they are restricted for the funding of certain reserves by applicable bond covenants. The bond reserve account is used to report resources set aside for debt service. The replacement account is used to report resources set aside to fund asset renewals and replacements.

**5. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15-40
Public domain infrastructure	15-40
Water and sewer system infrastructure	40
Vehicles	3 - 5
Machinery and equipment	3 - 10

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**6. Compensated absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All full-time City employees can accumulate up to 12 sick days annually, which are paid or carried forward. DPW employees can carry forward 78 days if not used and receive payment of one-half of their accumulated days at retirement only. Police and exempt employees can carry forward 120 days if not used and receive payment of one-half of their accumulated days at retirement or when an employee terminates his/her employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Employees can accrue up to one and a half times the vacation earned annually. Unused vacation is paid out at retirement or when an employee terminates his/her employment. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In prior years, the governmental fund that has liquidated compensated absences has typically been the general fund.

**7. Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**9. Property tax**

Property taxes are levied on each July 1 on the taxable valuation of property located in the City as of the preceding December 31. Taxes are considered delinquent on October 1 of the following year, at which time penalties and interest are assessed.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**9. Property tax – (continued)**

A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$238,451,928	\$205,198,510
Personal property	<u>6,573,600</u>	<u>6,573,600</u>
Total	<u>\$245,025,528</u>	<u>\$211,772,110</u>

The City's 2004 taxes are levied and collectible on July 1 and are recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The City is permitted by charter to levy up to \$15.00 (15 mills) per \$1,000 of taxable value for general governmental services. For the year ended June 30, 2005, the City levied 7.002 mills for general governmental services, .5000 for police liaison officer, and 3.0914 mills for capital improvements. The amounts are recognized in the respective general and capital project funds financial statements as tax revenue.

**10. Comparative data/reclassifications**

Comparative total data for the prior year have been presented at the fund financial statement level only in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." These long-term liabilities are recorded in the Statement of Net Assets. The details of this difference at June 30, 2005 are as follows:

Bonds and notes payable	\$1,114,000
Compensated absences	<u>267,729</u>
Net long-term liability adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$1,381,729</u>

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**II. Reconciliation of government-wide and fund financial statements – (continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference for the year ended June 30, 2005 are as follows:

Capital outlay	\$3,322,413
Depreciation expense	<u>(769,811)</u>
Net capital asset adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$2,552,602</u></u>

**III. Stewardship, compliance, and accountability**

**Budgetary information**

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 20, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted on a departmental (activity) basis for General fund and fund level for most Special Revenue funds for the ensuing fiscal year, through passage of an ordinance and in accordance with Public Act 621 of 1978 of the State of Michigan. No budget was adopted for the Cemetery Special Revenue Fund. Management can transfer appropriations within departments for the General Fund, but any budgetary amendments which effect the total department appropriations must be approved by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriations lapse at year end. The City had no encumbrances outstanding at June 30, 2005.
6. The original budget was amended during the year in compliance with the City Charter and applicable state law. Budgeted amounts are reported in the required supplemental information and financial statements as originally adopted and as amended by the City Council.



**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds**

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The city has designated three banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial credit risk of bank deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$1,391,881 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the city evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial credit risk of investments:**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Repurchase Agreement	\$170,507	Counterparty

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. gov or agency bond or note	\$430,486	5.9 years

Concentration of credit risk:

The City places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district's investments are in U.S government bonds and repurchase agreement; these investments are 26.11% of the City's total investments.

**B. Receivables**

Receivables as of year end for the City's individual major funds and the nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Improvement</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 46,059	\$ -	\$ -	\$ -	\$ -	\$ 46,059
Intergovernmental	239,725	62,001	23,971	6,853	-	332,550
Gross receivables	285,784	62,001	23,971	6,853	-	378,609
Less: allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$285,784</u>	<u>\$ 62,001</u>	<u>\$ 23,971</u>	<u>\$ 6,853</u>	<u>\$ -0-</u>	<u>\$378,609</u>

Business type activities:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Accounts	\$230,277	\$218,612	\$448,889
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$230,277</u>	<u>\$218,612</u>	<u>\$448,889</u>

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets**

Capital asset activity for the City's governmental and business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 959,976	\$ -	\$ -	\$ 959,976
Right-of-Ways	4,946,186	387,578	-	5,333,764
Construction in progress	810,949	450,611	-	1,261,560
Total capital assets, not being depreciated	6,717,111	838,189	-	7,555,300
Capital assets, being depreciated:				
Buildings and improvements	2,022,930	1,479	-	2,024,409
Machinery and equipment	2,135,688	121,224	(25,033)	2,231,879
Infrastructure	13,097,032	2,386,086	-	15,483,118
Total capital assets being depreciated	17,255,650	2,508,789	(25,033)	19,739,406
Less accumulated depreciation for:				
Buildings and improvements	(1,275,340)	(142,498)	-	(1,417,838)
Machinery and equipment	(1,707,798)	(119,731)	11,438	(1,816,091)
Infrastructure	(5,270,040)	(574,368)	-	(5,844,408)
Total accumulated depreciation	(8,253,178)	(836,597)	11,438	(9,078,337)
Total capital assets, being depreciated, net	9,002,472	1,672,192	(13,595)	10,661,069
Governmental activities capital assets, net	\$15,719,583	\$2,510,381	\$ (13,595)	\$18,216,369

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 18,790	\$ -	\$ -	\$ 18,790
Capital assets, being depreciated:				
Buildings and system	11,043,817	235,800	-	11,279,617
Improvements other than buildings	6,775,716	94,640	-	6,870,356
Machinery and equipment	240,388	14,903	-	255,291
Total capital assets, being depreciated	18,059,921	345,343	-	18,405,264
Less accumulated depreciation for:				
Buildings and system	(6,460,967)	(219,856)	-	(6,680,821)
Improvements other than buildings	(3,406,403)	(163,257)	-	(3,569,660)
Machinery and equipment	(229,899)	(5,575)	-	(235,476)
Total accumulated depreciation	(10,097,269)	(388,688)	-	(10,485,957)
Total capital assets, being depreciated, net	7,962,652	(43,345)	-	7,919,307
Business-type activities capital assets, net	\$ 7,981,442	\$ (43,345)	\$ -0-	\$ 7,938,097

Depreciation expense was charged to functions/programs of the government as follows:

**Governmental activities:**

**Current:**

General government	\$ 15,370
Public safety	50,194
Public works	650,935
Recreation	106,108
Social and cultural	13,990

Total depreciation expense - governmental activities	<u>\$836,597</u>
--	------------------

**Business-type activities:**

Water	\$135,167
Sewer	253,521

Total depreciation expense – Business-type activities	<u>\$388,688</u>
---	------------------

**Construction commitment:**

The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
City hall/police station	<u>\$1,261,560</u>	<u>\$330,310</u>

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds – (continued)**

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water Enterprise	\$ 40,000
Enterprise Sewer	Water Enterprise	32,658
Motor Pool Internal Service	General Fund	<u>1,314</u>
		<u>\$ 73,972</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Advances to other funds:

The City Council has authorized an interfund advance during a prior year from the General fund to the Water fund. There are no interest or repayment terms on the \$100,000 advance.

Operating transfers:

	<u>Transfer In</u>				
	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental</u>	<u>Building Department Enterprise Fund</u>	<u>Total</u>
Transfer out:					
General fund	\$ -	\$500,000	\$17,866	\$ 17,400	\$535,266
Capital improvement	<u>119,227</u>	-	<u>11,105</u>	-	<u>130,332</u>
Total transfers out	<u>\$119,227</u>	<u>\$500,000</u>	<u>\$ 28,971</u>	<u>\$ 17,400</u>	<u>\$665,598</u>

Transfers between funds were primarily for operating purposes.

The transfers from the General Fund to the Capital Improvement Nonmajor Governmental and Building Department funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Capital Improvement fund to the General Fund represents the movement of resources to be used to service installment debt; the transfer from the Capital Improvement Fund to the Nonmajor Governmental Debt Service Fund represents the movement of resources to be used to service installment debt.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds – (continued)**

**E. Long-term debt**

General obligation bonds:

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. The original amount of general obligation bonds issued in prior years was \$2,030,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Revenue bonds:

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The government issued special assessment bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation special assessment bonds represent the financing of public improvements that benefited specific districts in prior years. Those districts were specially assessed, at least in part, for the cost of the improvements. In conjunction with a prior year tax levy the City forgave all unpaid special assessment receivables to retire this debt. Therefore, no special assessment receivables are outstanding at June 30, 2005. The City is now completely liable for payment of these bonds and the bonds are recorded as general obligation bonds.

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:							
Special Assessment							
Bonds Series 1991-A	5.4-8%	\$ 10,000	\$ 30,000	\$ -	\$ (10,000)	\$ 20,000	\$ 10,000
Amounts of issue: \$130,000							
Maturing through: 2007							
Installment purchase agreement-							
Contract issued for the							
construction of the new							
city hall//police station	4.33	27,000-74,000	1,063,000	-	(74,000)	989,000	74,000
Amounts of issue: \$1,100,000							
Maturing through: 2019							
Land contract – Contract issued							
for the purchase of real							
estate	7.0	105,000	115,000	-	(10,000)	105,000	-
Accrued annual							
and sick pay			239,176	157,659	(129,106)	267,729	130,000
Total governmental							
activities			<u>\$1,447,176</u>	<u>\$157,659</u>	<u>\$ (223,106)</u>	<u>\$1,381,729</u>	<u>\$214,000</u>

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds – (continued)**

**E. Long-term debt – (continued)**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:							
Revenue Bonds-							
State of Michigan Drinking							
Water Revolving Fund	2.5	90,000-125,000	\$1,475,000	\$ -	\$ (90,000)	\$1,385,000	\$ 90,000
Amounts of issue: \$1,970,768							
Maturing through: 2018							
General obligation bonds-							
Sewer Refunding Bonds	3.85-5.60		745,000	-	(135,000)	610,000	130,000
Amounts of issue: \$1,900,000							
Maturing through: 2009							
Total business-							
type activities			<u>\$2,220,000</u>	<u>\$ -0-</u>	<u>\$ (225,000)</u>	<u>\$1,995,000</u>	<u>\$220,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30,</u>	<u>Governmental Activities</u>			<u>Business Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 84,000	\$ 50,423	\$ 134,423	\$ 220,000	\$ 64,641	\$ 284,641
2007	84,000	46,519	130,519	250,000	54,761	304,761
2008	74,000	42,965	116,965	245,000	44,000	289,000
2009	179,000	39,761	218,761	275,000	31,626	306,626
2010	74,000	29,205	103,205	100,000	25,126	125,126
2011-2015	370,000	97,965	467,965	545,000	85,066	630,066
2016-2019	249,000	20,913	269,913	360,000	18,252	378,252
Total	<u>\$1,114,000</u>	<u>\$327,751</u>	<u>\$1,441,751</u>	<u>\$1,995,000</u>	<u>\$323,472</u>	<u>\$2,318,472</u>

Act 279, Public Acts of Michigan 1909, as amended, provides that net indebtedness of cities cannot exceed 10% of the assessed real and personal property in the city. As of June 30, 2005, the City of Flushing had a total debt limit of \$24,502,553. According to Act 279, the General Obligation Refunding Bonds, the Drinking Water Revolving Fund Bonds, the land contract, and the installment purchase obligation are specifically exempted from the computation. Principal outstanding on applicable debt at June 30, 2005 is \$630,000. Therefore, the City could incur \$23,872,553 of additional general obligation debt as of June 30, 2005 and still be in compliance with State law.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**IV. Detailed notes on all funds – (continued)**

**F. Restricted assets**

In accordance with City ordinances, specific assets of the Water Fund and Sewer Fund have been restricted for the funding of required reserves. These reserves have been established to provide for the revenue bond debt service payments and replacement of capital assets. Retained earnings in the Water and Sewer Funds have been reserved for these assets at June 30, 2005.

The following is a composition of the restricted assets accounts:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Business- Type Activities</u>
Bond reserve account	\$ 29,000	\$ 15,000	\$ 44,000
Replacement account	20,000	15,000	35,000
Total restricted assets	<u>\$ 49,000</u>	<u>\$ 30,000</u>	<u>\$ 79,000</u>

**V. Other information**

**A. Retirement plan**

**Plan Description** - The City of Flushing participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The System provides retirement, disability benefits, deferred allowances and death benefits to plan members and beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy** - Employees are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate, which is revised annually. The City's current contribution rate is a certain percent of annual covered payroll for each category of city employee. Rates for June 30, 2005 were general employees – 20.46%, police – 22.35%, and administrative – 23.87%. Member and employer contributions are “pooled” to fund a specific pension benefit for the employees of the City. The contribution requirements of plan members and the City are established and may be amended by the MERS Board of Trustees.

**Annual Pension Cost** - For 2005, the City's annual pension cost of \$390,341 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions as of the date of the most recently completed actuarial valuation on December 31, 2002 included (1) a rate of return on the investments of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority\merit, (4) the assumption that benefits will increase 4.5% per year. The actuarial value of the City's assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll contributions over an open period of 30 years.



**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**V. Other information – (continued)**

**A. Retirement plan – (continued)**

**Three-Year Trend Information for  
the City of Flushing**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2003	\$390,166	100%	\$ -
June 30, 2004	388,526	100	-
June 30, 2005	390,341	100	-

**Employees Retirement System  
Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (VAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>VAAL as a % of Covered Payroll (b - a)/c</u>
12/31/97	\$3,684,430	\$5,987,763	\$2,303,333	61.5%	\$1,455,854	158.2%
12/31/98	4,181,213	6,379,625	2,198,412	65.5	1,447,415	151.9
12/31/99	4,870,812	7,061,015	2,190,203	68.9	1,510,803	144.9
12/31/00	5,379,732	8,046,566	2,666,834	66.9	1,598,152	166.9
12/31/01	5,843,297	8,535,590	2,692,293	68.4	1,679,670	160.2
12/31/02	6,124,103	9,643,698	3,519,595	63.5	1,784,023	197.3
12/31/03	6,667,308	10,351,778	3,684,470	64.4	1,740,255	211.7
12/31/04*	7,050,477	11,269,966	4,219,489	62.6	1,711,414	246.5

\* Most recent valuation completed as of opinion date.

**B. Post-retirement benefits**

Premiums for health insurance for all retired employees and spouses are paid by the city in accordance with the following schedule:

<u>Employee Full Years of Service</u>	<u>Percent of Premiums Paid by the City for the Spouse and Eligible Dependents</u>
20	50%
21	60
22	70
23	80
24	90
25	100

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**V. Other information – (continued)**

**B. Post-retirement benefits – (continued)**

The aforementioned benefits are contractually required and paid annually from the General Fund and amounted to \$209,570 for the year ended June 30, 2005. At June 30, 2005, 24 employees are eligible to receive these benefits.

Upcoming reporting change:

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009. Management is currently assessing the impact of this new accounting standard on the City's financial statement for future reporting periods.

**C. Stewardship, compliance, and accountability**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenses related to the operation of the enforcing agency. The activity related to construction code activity for the year ended June 30, 2005 is as follows:

Construction permit revenue	\$ 31,882
Expenses:	
Professional services	<u>(49,188)</u>
Expenses over revenue	(17,306)
Beginning of year	<u>1,028</u>
End of year	<u><u>\$ (16,278)</u></u>

**D. Risk management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**City of Flushing**  
**Notes to Basic Financial Statements**  
**June 30, 2005**

**V. Other information – (continued)**

**E. Contingencies**

The City participates in the federally assisted COPS Grant Program. This program is subject to monitoring by the granting agency. The granting agency has yet to make final approval of the expenditures charged to the grant. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

## **Required Supplementary Information**

**City of Flushing  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
Year Ended June 30, 2005  
With Comparative Actual Totals for the Year Ended June 30, 2004**

	2005				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2004 Actual
<b>Revenues:</b>					
Taxes	\$ 1,493,500	\$ 1,593,700	\$ 1,594,963	\$ 1,263	\$ 1,429,178
Licenses and permits	1,550	1,250	1,272	22	2,261
Intergovernmental:					
Federal	-	92,500	93,855	1,355	-
State	762,096	751,018	751,226	208	766,733
Local	16,000	62,950	62,974	24	7,489
Charges for services	855,500	791,950	803,942	11,992	874,908
Fines and fees	18,500	18,400	18,475	75	18,499
Administrative services	110,000	110,000	110,000	-	110,000
Interest and other	162,648	150,148	160,296	10,148	506,775
<b>Total revenues</b>	<b>3,419,794</b>	<b>3,571,916</b>	<b>3,597,003</b>	<b>25,087</b>	<b>3,715,843</b>
<b>Expenditures:</b>					
General government:					
City council	\$ 14,650	\$ 14,650	\$ 11,328	\$ 3,322	\$ 13,907
City manager	198,750	198,750	190,133	8,617	189,005
City elections	10,350	10,350	8,348	2,002	6,474
City assessor	74,530	81,130	78,119	3,011	74,195
City attorney	60,000	60,000	56,357	3,643	53,106
City clerk/treasurer	262,329	262,329	257,325	5,004	254,577
General administrative services	476,200	518,700	517,363	1,337	275,954
City hall annex/library	34,200	36,700	27,305	9,395	25,754
Cemetery	63,300	67,300	62,831	4,469	75,832
<b>Total general government</b>	<b>1,194,309</b>	<b>1,249,909</b>	<b>1,209,109</b>	<b>40,800</b>	<b>968,804</b>
Public safety:					
Police protection	1,234,800	1,237,300	1,229,087	8,213	1,170,973
Fire protection	157,615	274,615	264,625	9,990	141,481
Civil defense	1,500	1,500	-	1,500	926
<b>Total public safety</b>	<b>1,393,915</b>	<b>1,513,415</b>	<b>1,493,712</b>	<b>19,703</b>	<b>1,313,380</b>
Public works:					
Administration	521,500	643,550	593,669	49,881	163,502
Sanitation	457,320	363,320	359,486	3,834	459,114
Solid waste collection	120,000	130,000	121,461	8,539	109,137
<b>Total public works</b>	<b>1,098,820</b>	<b>1,136,870</b>	<b>1,074,616</b>	<b>62,254</b>	<b>731,753</b>

(continued)

**City of Flushing**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**Year Ended June 30, 2005**  
**With Comparative Actual Totals for the Year Ended June 30, 2004**

	2005				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	2004 Actual
Recreation:					
Parks and grounds	133,000	136,000	124,695	11,305	125,673
Swimming pool	62,500	62,500	56,649	5,851	57,632
Total recreation	195,500	198,500	181,344	17,156	183,305
Social and cultural	37,750	37,750	26,450	11,300	28,823
Planning	14,500	14,500	3,454	11,046	4,406
Total expenditures	3,934,794	4,150,944	3,988,685	162,259	3,230,471
Excess (deficiency) of revenues over expenditures	(515,000)	(579,028)	(391,682)	187,346	485,372
Other financing sources (uses):					
Transfers in	120,000	119,227	119,227	-	1,626
Transfers out	(5,000)	(535,400)	(535,266)	134	(8,520)
Total other financing sources (uses)	115,000	(416,173)	(416,039)	134	(6,894)
Net change in fund balances	(400,000)	(995,201)	(807,721)	187,480	478,478
Fund balances - beginning of year	1,930,487	1,930,487	1,930,487	-	1,446,877
<b>Fund balances - end of year</b>	<b>\$ 1,530,487</b>	<b>\$ 935,286</b>	<b>\$ 1,122,766</b>	<b>\$ 187,480</b>	<b>\$ 1,925,355</b>

See notes to required Supplementary Information

**City of Flushing**  
**Major Street Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2005**

	<b>Major Street</b>			<b>Variance</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
<b>Revenues:</b>				
Intergovernmental:				
Federal	\$ -	\$ -	\$ 20,400	\$ 20,400
State	386,000	391,500	394,631	3,131
Interest and other	3,000	3,000	4,077	1,077
Total revenues	389,000	394,500	419,108	24,608
<b>Expenditures:</b>				
Current:				
Public works and streets	328,000	310,000	303,845	6,155
Other	1,000	1,000	1,000	-
Total expenditures	329,000	311,000	304,845	6,155
Excess of revenues over expenditures	60,000	83,500	114,263	30,763
<b>Other financing uses:</b>				
Transfers out	(60,000)	-	-	-
Excess of revenues over expenditures and other financing uses	-	83,500	114,263	30,763
Fund balance - beginning of year	148,504	148,504	148,504	-
<b>Fund balance - end of year</b>	<b>\$ 148,504</b>	<b>\$ 232,004</b>	<b>\$ 262,767</b>	<b>\$ 30,763</b>

**City of Flushing**  
**Local Street Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2005**

	Local Street			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
<b>Revenues:</b>				
Intergovernmental - state	\$ 156,000	\$ 158,500	\$ 160,406	\$ 1,906
Interest and other	500	500	688	188
Total revenues	156,500	159,000	161,094	2,094
<b>Expenditures:</b>				
Current:				
Public works and streets	215,500	173,700	160,214	13,486
Other	1,000	1,000	1,000	-
Total expenditures	216,500	174,700	161,214	13,486
Excess (deficiency) of revenues over expenditures	(60,000)	(15,700)	(120)	15,580
<b>Other financing sources:</b>				
Transfers in	60,000	-	-	-
Net change in fund balances	-	(15,700)	(120)	15,580
Fund balances - beginning of year	88,172	88,172	88,172	-
<b>Fund balances - end of year</b>	<b>\$ 88,172</b>	<b>\$ 72,472</b>	<b>\$ 88,052</b>	<b>\$ 15,580</b>



**City of Flushing**  
**Notes to Required Supplementary Information**  
**June 30, 2005**

**Summary of Significant Accounting Policies – Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**

The budget for the General Fund, Major Street, and Local Street Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**City of Flushing, Michigan  
Nonmajor Governmental Funds  
Summary Descriptions  
June 30, 2005**

**Special Revenue Funds**

COPS Grant

This fund is used to account for the revenues and expenditures related to the federally funded COPS grant.

Cemetery Fund

The Cemetery Fund is used to account for investment principal and related interest income amounts reserved for maintenance of the community cemetery.

**Debt Service Fund**

Debt Service Fund

This fund was established to accumulate resources for the payment of the general obligation special assessment debt issued to fund capital improvements.

**Capital Projects Funds**

Fire Department Reserve Fund

This fund is used to accumulate resources for the purchase of fire department equipment and improvements.

Community Development Fund

This fund is used to account for community development funds that are used for projects suggested by the citizenry.

**City of Flushing, Michigan  
Nonmajor Governmental Funds  
Summary Descriptions – (continued)  
June 30, 2005**

**Fiduciary Funds**

**Agency Funds:**

**Tax Collection Fund**

This fund is used to account for current and delinquent taxes that are collected for other units of government.

**General Trust Fund**

This fund is used to account for monies received from contractors doing work with the City to ensure the work is completed. The money is returned when the job is completed.

**City of Flushing**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2005**  
**With Comparative Totals for June 30, 2004**

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>COPS Grant</u>	<u>Cemetery</u>	<u>Debt Service</u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 25,589	\$ 8
Investments	-	172,296	-
Due from other governmental units	-	-	-
Total assets	<u>\$ - 0 -</u>	<u>\$ 197,885</u>	<u>\$ 8</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accrued and other liabilities	\$ -	\$ -	\$ -
Deposits	-	2,000	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>2,000</u>	<u>-</u>
 <b>Fund balances:</b>			
Reserved for perpetual care	-	195,885	-
Unreserved:			
Undesignated	-	-	8
Total fund balances	<u>-</u>	<u>195,885</u>	<u>8</u>
Total liabilities and fund balances	<u>\$ - 0 -</u>	<u>\$ 197,885</u>	<u>\$ 8</u>

**Capital Projects**

<b>Fire Department Reserve</b>	<b>Community Development</b>	<b>T o t a l s</b>	
		<b>2005</b>	<b>2004</b>
\$ 75,161	\$ 348	\$ 101,106	\$ 84,239
-	-	172,296	163,560
-	-	-	12,545
\$ 75,161	\$ 348	\$ 273,402	\$ 260,344

\$ -	\$ -	\$ -	\$ 760
-	-	2,000	2,000
-	-	-	11,785
-	-	2,000	14,545

-	-	195,885	174,283
75,161	348	75,517	71,516
75,161	348	271,402	245,799
\$ 75,161	\$ 348	\$ 273,402	\$ 260,344

**City of Flushing**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2005**  
**With Comparative Totals for June 30, 2004**

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>COPS Grant</u>	<u>Cemetery</u>	<u>Debt Service</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - federal	5,965	-	-
Interest and other	-	8,736	-
Total revenues	5,965	8,736	-
<b>Expenditures:</b>			
Current:			
Public safety:			
Law enforcement	5,965	-	-
Other	-	-	-
Debt service:			
Principal payments	-	-	10,000
Interest and paying agent fees	-	-	2,104
Total expenditures	5,965	-	12,104
Excess (deficiency) of revenues over expenditures	-	8,736	(12,104)
<b>Other financing sources (uses):</b>			
Transfers in	-	12,866	11,105
Transfers out	-	-	-
Total other financing sources	-	12,866	11,105
Net change in fund balances	-	21,602	(999)
Fund balances - beginning of year	-	174,283	1,007
<b>Fund balances - end of year</b>	<b>\$ - 0 -</b>	<b>\$ 195,885</b>	<b>\$ 8</b>

<b>Capital Projects</b>			
<b>Fire Department Reserve</b>	<b>Community Development</b>	<b>T o t a l s</b>	
		<b>2005</b>	<b>2004</b>
\$ -	\$ -	\$ -	\$ 6
-	-	5,965	43,928
-	-	8,736	7
-	-	14,701	43,941
-	-	5,965	43,928
-	-	-	537
-	-	10,000	5,000
-	-	2,104	2,568
-	-	18,069	52,033
-	-	(3,368)	(8,092)
5,000	-	28,971	8,520
-	-	-	(1,626)
5,000	-	28,971	6,894
5,000	-	25,603	(1,198)
70,161	348	245,799	246,997
\$ 75,161	\$ 348	\$ 271,402	\$ 245,799

**City of Flushing**  
**COPS Grant Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2005**

	COPS Grant			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
<b>Revenues:</b>				
Intergovernmental - federal	\$ -	\$ 5,965	\$ 5,965	\$ -
<b>Expenditures:</b>				
Current:				
Public safety	-	5,965	5,965	-
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>



**City of Flushing**  
**Combining Balance Sheet**  
**Agency Funds**  
**June 30, 2005**  
**With Comparative Totals for June 30, 2004**

	<b>Tax Collections</b>	<b>General Trust</b>	<b>Totals</b>	
			<b>2005</b>	<b>2004</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 113,502	\$ 54,733	\$ 168,235	\$ 175,865
Total assets	\$ 113,502	\$ 54,733	\$ 168,235	\$ 175,865
<b>Liabilities</b>				
Due to other governmental units	\$ 79,021	\$ -	\$ 79,021	\$ 90,802
Deposits payable	34,481	54,733	89,214	85,063
Total liabilities	\$ 113,502	\$ 54,733	\$ 168,235	\$ 175,865

**City of Flushing**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Year Ended June 30, 2005**

	<b>Balance July 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2005</b>
<b><u>Tax Collection</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 127,726	\$ 11,694,428	\$ 11,708,652	\$ 113,502
Total assets	\$ 127,726	\$ 11,694,428	\$ 11,708,652	\$ 113,502
<b>Liabilities</b>				
Due to other governmental units	\$ 90,802	\$ 15,228,780	\$ 15,240,561	\$ 79,021
Deposits payable	36,924	28,404	30,847	34,481
Total liabilities	\$ 127,726	\$ 15,257,184	\$ 15,271,408	\$ 113,502
<b><u>General Trust</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 48,139	\$ 13,081	\$ 6,487	\$ 54,733
Total assets	\$ 48,139	\$ 13,081	\$ 6,487	\$ 54,733
<b>Liabilities</b>				
Deposits payable	\$ 48,139	\$ 12,502	\$ 5,908	\$ 54,733
Total liabilities	\$ 48,139	\$ 12,502	\$ 5,908	\$ 54,733
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 175,865	\$ 11,707,509	\$ 11,715,139	\$ 168,235
Total assets	\$ 175,865	\$ 11,707,509	\$ 11,715,139	\$ 168,235
<b>Liabilities</b>				
Due to other governmental units	\$ 90,802	\$ 15,228,780	\$ 15,240,561	\$ 79,021
Deposits payable	85,063	40,906	36,755	89,214
Total liabilities	\$ 175,865	\$ 15,269,686	\$ 15,277,316	\$ 168,235

**City of Flushing**  
**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>**  
**Comparative Schedules By Source**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Governmental funds capital assets:</b>		
Land	\$ 959,976	\$ 959,976
Buildings and improvements	1,978,365	1,976,886
Machinery and equipment	975,213	883,194
Infrastructure	20,816,882	18,043,218
Construction in progress	1,261,560	810,949
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 25,991,996</u>	<u>\$ 22,674,223</u>
<b>Investment in governmental funds capital assets by source:</b>		
General fund	\$ 8,031,157	\$ 6,701,765
Special revenue funds	15,114,300	13,576,530
Capital projects funds	2,065,671	1,615,060
Assets acquired prior to 1984	780,868	780,868
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 25,991,996</u>	<u>\$ 22,674,223</u>

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Flushing**  
**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>**  
**Schedule by Function and Activity**  
**June 30, 2005**

<b><u>Function and Activity</u></b>	<b><u>Land</u></b>	<b><u>Buildings and Improvements</u></b>	<b><u>Machinery and Equipment</u></b>
<b>General government:</b>			
City manager	\$ -	\$ -	\$ 6,101
City assessor	-	-	19,031
City hall	8,320	-	37,309
General administration services	98,000	162,652	55,950
Cemetery	219,600	66,563	20,089
Total general government	325,920	229,215	138,480
<b>Public works:</b>			
General	245,186	121,702	56,043
Streets	-	-	-
Right of ways	-	-	-
Storm sewer drains	-	-	-
Total public safety	245,186	121,702	56,043
<b>Public safety:</b>			
Police	10,000	90,207	118,762
Fire	35,200	318,988	593,593
Total public safety	45,200	409,195	712,355
<b>Recreation:</b>			
Parks and grounds	268,670	918,004	68,335
<b>Social and cultural</b>	75,000	300,249	-
Total governmental funds capital assets	\$ 959,976	\$ 1,978,365	\$ 975,213

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<b>Infrastructure</b>	<b>Construction In Progress</b>	<b>Total</b>
\$ -	\$ -	\$ 6,101
-	-	19,031
-	1,261,560	1,307,189
-	-	316,602
-	-	306,252
-	1,261,560	1,955,175
-	-	422,931
9,512,896	-	9,512,896
5,333,764	-	5,333,764
4,734,328	-	4,734,328
19,580,988	-	20,003,919
-	-	218,969
-	-	947,781
-	-	1,166,750
1,235,894	-	2,490,903
-	-	-
-	-	375,249
\$ 20,816,882	\$ 1,261,560	\$ 25,991,996

**City of Flushing**  
**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>**  
**Schedule of Changes by Function and Activity**  
**Year Ended June 30, 2005**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Governmental Funds Capital Assets June 30, 2005</b>
<b>General government:</b>				
City manager	6,101	-	-	6,101
City assessor	19,031	-	-	19,031
City hall	856,578	450,611	-	1,307,189
General administration services	306,607	9,995	-	316,602
Cemetery	306,252	-	-	306,252
Total general government	1,494,569	460,606	-	1,955,175
<b>Public works</b>				
General	422,931	-	-	422,931
Streets	8,630,344	882,552	-	9,512,896
Right of ways	4,946,186	387,578	-	5,333,764
Storm sewer drains	4,466,688	267,640	-	4,734,328
	18,466,149	1,537,770	-	20,003,919
<b>Public safety:</b>				
Police	214,145	9,465	4,641	218,969
Fire	869,102	78,679	-	947,781
Total public safety	1,083,247	88,144	4,641	1,166,750
<b>Recreation:</b>				
Parks and grounds	1,255,009	1,235,894	-	2,490,903
<b>Social and cultural</b>	375,249	-	-	375,249
Total governmental funds capital assets	\$ 22,674,223	\$ 3,322,414	\$ 4,641	\$ 25,991,996

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net assets.

## **Statistical Section**

Table 1

**City of Flushing**  
**General Governmental Expenditures by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works and Streets</u>	<u>Recreation</u>	<u>Social and Cultural</u>	<u>Planning and Other</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1996	\$661,803	\$ 897,027	\$1,142,132	\$136,791	\$ 28,995	\$ 52,729	\$ 211,092	\$298,577	3,429,146 <sup>(1)</sup>
1997	773,739	930,926	1,104,520	190,437	32,623	19,190	474,336	280,907	3,806,678 <sup>(1)</sup>
1998	762,274	1,067,143	1,401,905	201,886	41,837	52,635	470,745	274,993	4,273,418 <sup>(1)</sup>
1999	773,716	1,145,671	1,175,807	248,558	33,899	94,473	1,239,595	149,160	4,860,879 <sup>(1)</sup>
2000	935,243	1,222,673	1,116,312	218,327	33,526	12,743	747,202	154,100	4,440,126 <sup>(1)</sup>
2001	861,110	1,217,652	1,624,652	267,945	32,722	19,487	675,351	109,275	4,808,194 <sup>(1)</sup>
2002	919,829	1,311,321	1,417,330	237,183	33,679	12,759	954,205	331,394	5,217,700 <sup>(1)</sup>
2003	913,982	1,386,608	1,462,022	204,653	30,599	14,348	698,609	13,020	4,723,841 <sup>(1)</sup>
2004	968,804	1,357,308	1,167,088	298,842	28,823	7,706	1,262,837	68,383	5,159,791 <sup>(2)</sup>
2005	1,209,109	1,499,677	1,538,675	181,344	26,450	7,454	1,019,006	12,104	5,493,819 <sup>(2)</sup>

## Notes:

- (1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds.
- (2) Includes General, Special Revenue, Debt Service, and Capital Projects. The Expendable Trust Funds were closed as of July 1, 2003.



Table 2

**City of Flushing**  
**General Governmental Revenues by Source**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Fees</u>	<u>Administrative Services</u>	<u>Interest and Other</u>	<u>Total</u>
1996	\$1,392,024	\$ 31,310	\$1,172,849	\$725,622	\$ 15,948	\$110,000	\$146,732	\$3,594,485 <sup>(1)</sup>
1997	1,671,608	27,147	1,295,788	731,334	13,111	110,000	158,454	4,007,442 <sup>(1)</sup>
1998	1,772,421	45,076	1,606,689	759,261	14,577	110,000	143,405	4,451,429 <sup>(1)</sup>
1999	1,876,777	30,977	2,073,361	796,920	16,553	110,000	158,623	5,063,211 <sup>(1)</sup>
2000	1,915,699	56,189	1,593,797	775,005	15,119	110,000	193,591	4,659,400 <sup>(1)</sup>
2001	1,991,023	30,807	1,806,779	778,887	13,670	110,000	253,491	4,984,657 <sup>(1)</sup>
2002	2,108,424	28,612	1,444,247	819,847	16,274	110,000	182,486	4,709,890 <sup>(1)</sup>
2003	2,101,573	55,132	1,481,947	835,027	19,631	110,000	186,385	4,789,695 <sup>(1)</sup>
2004	2,057,024	2,261	1,382,998	874,908	18,499	110,000	518,051	4,963,741 <sup>(2)</sup>
2005	2,249,572	1,272	1,492,683	803,942	18,475	110,000	180,862	4,856,806 <sup>(2)</sup>

## Notes:

- (1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds.
- (2) Includes General, Special Revenue, Debt Service, and Capital Projects. The Expendable Trust Funds were closed as of July 1, 2003.

**City of Flushing**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General</u>	<u>Debt</u>	<u>Capital Improvement</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Percent Collected <sup>(1)</sup></u>
1996	\$ 963,796	\$206,481	\$219,049	\$1,389,326	\$1,388,886	99.9%
1997	973,727	139,064	499,435	1,612,226	1,609,456	99.8
1998	1,029,749	147,065	528,169	1,704,983	1,704,983	100.0
1999	1,093,500	156,170	560,868	1,810,538	1,810,538	100.0
2000	1,160,334	82,865	595,148	1,838,347	1,838,347	100.0
2001	1,205,035	86,043	618,066	1,909,144	1,909,144	100.0
2002	1,273,315	90,920	653,089	2,017,324	2,017,324	100.0
2003	1,333,036	-	683,720	2,016,756	2,016,756	100.0
2004	1,379,662	-	609,114	1,988,776	1,988,776	100.0
2005	1,539,424	-	634,354	2,173,778	2,173,778	100.0

Note:

- (1) Genesee County pays the City of Flushing the full amount of the delinquent real property taxes upon settlement in June of each year.

**City of Flushing**  
**Assessed and Equalized/Taxable Value of Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year Ending June 30,	Real Property		Personal Property		Total	
	Assessed Value	Equalized/Taxable Value	Assessed Value	Equalized/Taxable Value	Assessed Value	Equalized/Taxable Value
1996	\$132,775,710	\$132,663,390 <sup>(3)</sup>	\$4,892,550	\$4,892,550 <sup>(3)</sup>	\$137,668,260	\$137,555,940
1997	144,715,410	139,064,170	5,320,425	5,320,425	150,035,835	144,384,595
1998	155,886,120	146,992,780	5,647,850	5,647,850	161,533,970	152,640,630
1999	170,781,220	156,169,640	5,427,600	5,427,600	176,208,820	161,597,240
2000	185,072,515	165,673,404	6,707,270	6,707,270	191,779,785	172,380,674
2001	193,532,822	172,164,420	7,316,250	7,316,250	200,849,072	179,480,670
2002	201,878,897	181,853,010	7,491,250	7,491,250	209,370,147	189,344,260
2003	216,021,020	190,381,652	7,447,600	7,447,600	223,468,620	197,829,252
2004	229,329,429	197,040,532	6,203,900	6,203,900	235,533,329	203,244,432
2005	238,451,928	205,198,510	6,573,600	6,573,600	245,025,528	211,772,110

## Notes:

- (1) Information taken from Genesee County Equalization Reports.
- (2) Ad valorem tax only, therefore, excludes commercial facilities taxes as provided under Public Act 255.
- (3) Beginning in 1994, taxable value, as computed under state law, was value on which ad valorem taxes were levied.

**City of Flushing**  
**Property Tax Rates - Direct and Overlapping Governments**  
**(Per \$1,000 of Assessed Value)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	City of Flushing			Flushing Community Schools	State Education Tax	Mott Community College	Intermediate Schools	Bishop Airport	Mass Trans- portation Authority	Genesee County	Total
	General	Debt	Capital Projects	Totals							
1996	7.0020	1.5000	1.5914	10.0934	6.0000	1.8745	3.6032	0.4925	-	7.2693	47.9669
1997	7.0020	1.0000	3.5914	11.5934	6.0000	1.8745	3.6032	0.4925	0.4000	7.2693	49.9451
1998	7.0020	1.0000	3.5914	11.5934	6.0000	1.8745	3.6032	0.4925	0.4000	7.3693	50.0432
1999	7.0020	1.0000	3.5914	11.5934	6.0000	1.8745	3.6032	0.4925	0.4000	7.3693	50.0371
2000	7.0020	0.5000	3.5914	11.0934	6.0000	1.8694	3.5894	0.4910	0.3988	7.3447	49.4873
2001	7.0020	0.5000	3.5914	11.0934	6.0000	1.8694	3.5894	0.4910	0.3988	7.3373	49.4721
2002	7.0020	0.5000	3.5914	11.0934	6.0000	2.8672	3.5835	0.4906	0.3996	7.3285	50.5128
2003	7.0020	-	3.5914	10.5934	6.0000	2.8280	3.5673	0.4886	0.3980	7.2965	49.9168
2004	7.0020	-	3.0914	10.0934	5.0000	2.7464	3.5469	0.4861	0.3959	7.2553	50.2879
2005	7.5020	-	3.0914	10.5934	6.0000	2.6807	3.5361	0.4849	0.7949	7.2437	62.687

Table 6

**City of Flushing**  
**Principal Ad Valorem Taxpayers**  
**June 30, 2005**  
**(Unaudited)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percent of Total Assessed Value</u>
Health Care and Retirement Corp.	Nursing Home	\$3,646,800	1.49%
Kroger	Retail - Grocery	2,752,800	1.12
Bueche's Food World	Retail - Grocery	2,525,800	1.03
Consumers Energy	Utility	2,364,200	0.96
Flushing Assoc. Limited	Apartments	2,000,800	0.82
Flushing Valley Golf Club	Recreational Facility	1,504,700	0.61
Somerset Quadrangle	Apartments	1,430,000	0.58
Easton Square	Retail	1,290,500	0.53
Delehanty Pontiac	Car Dealership	1,085,600	0.44
Prestige Chevrolet	Car Dealership	987,400	0.40
	Totals	<u>\$19,588,600</u>	<u>7.98%</u>

**City of Flushing**  
**Computation of Legal Debt Margin**  
**June 30, 2005**  
**(Unaudited)**

Total state equalized valuation	<u>\$245,025,528</u>
Debt limited - 10 percent of total state equalized valuation	\$24,502,553
Amount of debt applicable to debt limit <sup>(1)</sup>	<u>(630,000)</u>
Unused legal debt margin	<u>\$23,872,553</u>

Note:

- (1) The Installment Purchase Obligation and Land Contract reported as long-term liabilities for governmental activities and revenue bond recorded in the Water Enterprise Fund is not subject to the debt limitation.

Table 8

**City of Flushing**  
**Ratio of Net General Bonded Debt to Assessed**  
**Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal</u> <u>Year</u>	<u>Population</u>	<u>Taxable</u> <u>Value</u>	<u>Gross</u> <u>Bonded</u> <u>Debt</u>	<u>Debt</u> <u>Service</u> <u>Funds</u> <u>Available</u>	<u>Debt</u> <u>Payable</u> <u>from</u> <u>Proprietary</u> <u>Funds</u>	<u>Net</u> <u>Bonded</u> <u>Debt</u>	<u>Ratio of</u> <u>Net Bonded</u> <u>Debt to</u> <u>Taxable</u> <u>Value</u>	<u>Net</u> <u>Bonded</u> <u>Debt Per</u> <u>Capita</u>
1996	8,542	\$137,555,940	\$2,910,998	\$175,874	\$1,829,685	\$ 905,439	0.65%	\$105.99
1997	8,542	144,384,595	2,543,975	140,622	1,672,600	730,753	0.51	85.54
1998	8,542	152,640,630	2,195,337	116,616	1,541,950	536,771	0.35	62.83
1999	8,542	161,597,240	3,099,893	203,223	2,549,859	346,811	0.21	40.60
2000	8,542	172,380,674	3,559,981	215,481	3,126,981	217,519	0.13	25.46
2001	8,348	179,480,670	3,193,768	233,079	2,840,768	119,921	0.07	14.37
2002	8,348	189,344,260	2,690,000	21,464	2,645,000	23,536	0.01	2.82
2003	8,348	197,829,252	2,475,000	8,562	2,440,000	26,438	0.00	3.17
2004	8,348	203,244,432	3,428,000	1,007	2,220,000	1,206,993	0.59	144.58
2005	8,348	211,772,110	3,109,000	8	1,995,000	1,113,992	0.53	133.44

**City of Flushing**  
**Ratio of Annual Debt Service Expenditures for General Obligation**  
**Bonded Debt to Total General Governmental Expenditures**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Fees and</u> <u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>General</u> <u>Expenditures</u>	<u>Ratio</u>
1996	\$212,162	\$ 86,415	\$298,577	\$3,429,146 <sup>(1)</sup>	8.7
1997	209,938	70,969	280,907	3,806,678 <sup>(1)</sup>	7.4
1998	217,988	57,005	274,993	4,273,418 <sup>(1)</sup>	6.4
1999	103,353	45,807	149,160	4,860,879 <sup>(1)</sup>	3.1
2000	117,034	37,066	154,100	4,440,126 <sup>(1)</sup>	3.5
2001	80,000	29,275	109,275	4,808,194 <sup>(1)</sup>	2.3
2002	308,000	23,394	331,394	5,217,700 <sup>(1)</sup>	6.4
2003	10,000	3,020	13,020	4,723,841 <sup>(1)</sup>	0.0
2004	42,000	26,383	68,383	4,963,741 <sup>(2)</sup>	1.4
2005	10,000	2,104	12,104	5,493,819 <sup>(2)</sup>	0.0

## Note:

(1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds.

(2) Includes General, Special Revenue, Debt Service, and Capital Projects. The Expendable Trust Funds were closed as of July 1, 2003.



Table 10

**City of Flushing**  
**Computation of Direct and Overlapping Bonded Debt**  
**June 30, 2005**  
**(Unaudited)**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Flushing</u>	<u>Amount Applicable to City of Flushing</u>
Direct:			
City of Flushing	<u>\$ 3,109,000</u>	100.0%	<u>\$ 3,109,000</u>
Overlapping:			
Mott Community College	12,991,037	2.4	1,511,785
Genesee County	124,870,930	2.4	2,996,902
Flushing School District	<u>26,331,915</u>	35.3	<u>9,295,166</u>
Total overlapping	<u>214,193,882</u>		<u>13,803,853</u>
Totals	<u>\$217,302,882</u>		<u>\$16,912,853</u>

Note: The obligations represent bonded debt where an unlimited tax full faith and credit pledge of the governmental unit is made as security for payment of the associated principal and interest on the bonds.

**City of Flushing**  
**Water Revenue Bond Coverage**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Year Ending June 30,	Gross Revenue <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue	Debt Service Requirement			Coverage
				Principal	Interest and Fees	Total	
1996	\$ 771,770	\$650,106	\$121,664	\$ 30,000	\$ 19,078	\$ 49,078	2.47
1997	767,058	677,028	90,030	30,000	14,762	44,762	2.01
1998	817,780	726,261	91,519	-	-	-	0.00
1999	828,152	790,357	37,795	-	-	-	0.00
2000	838,988	753,757	85,231	42,780	38,806	81,586	1.04
2001	913,483	755,890	157,593	96,213	46,242	142,455	1.11
2002	940,471	867,491	72,980	80,768	43,144	123,912	0.59
2003	962,946	840,767	122,179	85,000	41,125	126,125	0.97
2004	1,189,753	966,277	223,476	85,000	39,000	124,000	1.80
2005	1,095,026	936,523	158,503	90,000	36,875	126,775	1.25

Notes:

- (1) Operating revenues plus interest.
- (2) Operating expenses exclusive of depreciation.

Table 12

**City of Flushing**  
**Special Assessment Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Tax Roll Year</u>	<u>Current Assessments Levied</u>	<u>Current Levies Collected</u>	<u>Ratio of Collections To Amount Due<sup>(1)</sup></u>	<u>Total Outstanding Assessments<sup>(2)</sup></u>
1996	\$ 21,383	\$ 21,383	100%	\$ 918 <sup>(3)</sup>
1997	918	918	100	- <sup>(3)</sup>
1998	445	445	100	- <sup>(3)</sup>
1999	-	-	-	- <sup>(3)</sup>
2000	-	-	-	- <sup>(3)</sup>
2001	-	-	-	- <sup>(3)</sup>
2002	-	-	-	- <sup>(3)</sup>
2003	-	-	-	- <sup>(3)</sup>
2004	-	-	-	- <sup>(3)</sup>
2005	-	-	-	- <sup>(3)</sup>

## Notes:

- (1) Special assessments are levied as part of the taxpayer's annual property tax billing on July 1, each year. Billings which become delinquent (i.e., real property taxes including special assessments) are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, all current special assessment levies, are shown above as being 100% collected.
- (2) Includes current and deferred portions.
- (3) The City forgave all street paving special assessments in conjunction with a new street improvement tax levy.

Table 13

**City of Flushing**  
**Miscellaneous Information**  
**June 30, 2005**  
**(Unaudited)**

Date of Incorporation	1964	
Form of Government	Council - Manager	
Area		4.0 Square Miles
Miles of Street:	Bituminous	38.48
	Unpaved	<u>0.10</u>
		<u>38.58</u>
Number of Street Lights		752
Fire Protection:	Number of Stations	1
	Number of Volunteer Firemen and Officers	27
Police Protection:	Number of Stations	1
	Number of Policemen and Officers	19
	Patrol Vehicle Units	8
Municipal Water Department:	Number of Customers	4,121
	Average Daily Pumpage	708,084 Gallons
	Miles of Water Mains	45.2
Sewers:	Miles of Sanitary Sewer	48.7
	Miles of Storm Sewer	24.6
Building Permits Issued		63
Recreation and Culture:	Number of Parks	7 with 35 acres
	Number of Libraries	1
	Number of Volumes:	
	Non-fiction	13,891
	Fiction	14,823
	Reference	1,888
	Video Cassettes	840
	Audio Cassettes	<u>695</u>
		<u>32,137</u>
	Library Circulation	132,670
Employees:	Full-Time	31
	Part-Time	69
Elections:	Registered Voters	6,577
	Percentage of Registered Voters Voting in General Election	79%
Population:	1960	6,023
	1970	7,190
	1980	8,624
	1990 (Source: Bureau of the Census)	8,542
	2000 (Source: Bureau of the Census)	8,348

**City of Flushing**  
**Construction, Property Value, and Bank Deposits**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Non-residential Construction		Residential Construction		Bank Deposits <sup>(1)</sup>	Property Value <sup>(2)</sup>			
	Number of Units	Value	Number of Units	Value		Commercial	Industrial	Residential	Total
1996	15	\$1,464,273	147	\$4,801,617	\$2,867,075,000	\$17,207,570	\$351,180	\$121,439,580	\$138,998,330
1997	30	676,432	130	5,092,745	2,906,401,000	17,469,500	356,410	129,166,870	146,992,780
1998	23	4,467,174	156	5,669,955	3,001,860,000	18,319,950	395,280	137,355,510	156,070,740
1999	19	1,004,275	162	4,526,543	3,004,523,000	18,918,070	411,000	151,452,150	170,781,220
2000	14	3,616,400	166	6,444,365	3,026,496,000	21,662,655	401,400	163,008,460	185,072,515
2001	12	1,074,250	82	3,007,755	3,643,612,000	22,490,751	411,925	170,630,146	193,532,822
2002	8	248,700	87	4,869,785	3,634,128,000	23,647,200	510,565	177,721,132	201,878,897
2003	12	3,232,107	76	3,900,434	3,522,542,000	25,558,100	757,900	189,705,020	216,021,020
2004	15	5,285,902	66	2,073,323	3,710,109,000	26,070,334	761,900	202,497,195	229,329,429
2005	12	936,373	51	3,838,992	3,782,297,000	28,107,200	815,800	209,528,928	238,451,928

## Notes:

(1) F.D.I.C. Commercial Bank Deposits, Genesee County, Michigan

(2) Valuations at State Equalized Values (S.E.V.)

October 28, 2005

To the City Council  
City of Flushing

We have audited the financial statements of City of Flushing (the City) for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of City of Flushing. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Flushing are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The useful lives and the depreciation of capital fixed assets and the assumptions related to the actuarial valuation of the defined benefit pension plan are significant estimates that affect the financial statements.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. No significant adjustments were made to the accounting records during the 2005 audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreement arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

During the audit, we became aware of certain matters that are opportunities for strengthening internal controls. Our comments and suggestions are summarized below regarding these matters. These comments do not affect our report dated August 19, 2005, or the financial statements of the City.

### **ACH Policy**

During the course of the audit it was noted that the City does not have an ACH policy. We suggest the City adopt an ACH Policy.

To the City Council  
City of Flushing  
October 28, 2005  
Page 3

This information is intended solely for the use of the City Council and management of City of Flushing and should not be used for any other purpose.

Sincerely,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Tadd Harburn", with a stylized flourish at the end.

Tadd Harburn, CPA